

**Speech of H. E. President Fidel V. Ramos
88th Anniversary, Bureau of Internal Revenue
August 5, 1992**

INTRODUCTION

SECRETARY MON DEL ROSARIO, COMMISSIONER JOE ONG, THE DISTINGUISHED FORMER COMMISSIONERS OF THE BUREAU OF INTERNAL REVENUE, JUSTICE COMMISSIONER EFREN PLANA, COMMISSIONER ANCHETA, COMMISSIONER BENNY TAN, THE OTHER HIGH OFFICIALS OF THE BIR PAST AND PRESENT, THE MEMBERS, OFFICIALS AND EMPLOYEES, ADMIRERS AND SUPPORTERS OF THE BUREAU OF INTERNAL REVENUE, FELLOW WORKERS IN GOVERNMENT, MGA MINAMAHAL KONG KABABAYAN:

I AM PLEASED TO BE ASKED TO JOIN YOU CELEBRATE THIS 88TH ANNIVERSARY OF THE BUREAU OF INTERNAL REVENUE.

EIGHTY-EIGHT YEARS IS A LONG TIME. I HOPE TO LIVE THAT LONG. BUT, GROWING OLD BY ITSELF IS NO GREAT ACHIEVEMENT -- WHETHER IN AN INSTITUTION OR IN AN INDIVIDUAL.

OFTEN ENOUGH, IN FACT, MANY PEOPLE, AS THEY AGE, BECOME GOOD ONLY BECAUSE THEY NO LONGER HAVE THE ENERGY TO CONTINUE TO BE BAD.

ON THE OTHER HAND, ACCORDING TO COMMISSIONER ONG, THE OLDER THE BIR GETS, THE BETTER IT BECOMES, JUST LIKE VINTAGE WINE AND BEAUTIFUL WOMEN. IN FACT, THIS IS WHAT I ALSO TELL MRS. RAMOS. SO, YOU BETTER ALSO TELL THAT TO YOUR SPOUSES.

SO I HAVE COME HERE NOT JUST TO GREET YOU ON YOUR ANNIVERSARY BUT TO FELICITATE ALL OF YOU -- MANAGEMENT AND RANK AND FILE -- FOR HAVING EXCEEDED YOUR REVENUE TARGETS AS OF THE FIRST SEMESTER OF 1992 -- AND TO EXHORT YOU TO EVEN GREATER EFFORTS.

BIR: KEY TO OUR ECONOMIC ACHIEVEMENT

DESPITE THE PRESSURE OF WORK, I MADE SURE I GOT HERE -- BECAUSE HOW WELL THE BIR WORKS IS OF PRIMARY IMPORTANCE TO THE RAMOS ADMINISTRATION.

WE HAVE SET OURSELVES WHAT MANY PEOPLE REGARD AS HIGHLY AMBITIOUS GOALS OVER THE NEXT SIX YEARS.

WE ARE DETERMINED TO RETURN OUR ECONOMY TO GROWTH -- AND THIS MEANS INVESTING IN PUBLIC INFRASTRUCTURE AND SERVICES UPON WHICH PRIVATE ENTERPRISE CAN BUILD BUSINESSES AND GENERATE JOBS.

WE ARE JUST AS DETERMINED TO UPLIFT THE MASSES OF OUR PEOPLE FROM THEIR LIFE-LONG POVERTY - - AND THIS MEANS INVESTING IN THE HEALTH CARE, HOUSING, SCHOOLS AND SKILLS-TRAINING PROGRAMS THAT ENABLE INDIVIDUALS TO DEVELOP TO THE UTMOST THE POTENTIAL OF THEIR LIVES.

THESE TWIN GOALS WE CAN ACHIEVE -- BUT ONLY IF WE HAVE THE FUNDS TO MAKE THE CORRECT INVESTMENTS IN THE RIGHT PROPORTION AT THE RIGHT TIME. THE MAIN SOURCE OF PUBLIC FINANCE IS OF COURSE THE REVENUE SYSTEM, OF WHICH THIS BIR IS THE BIGGEST PART.

HOW WELL GOVERNMENT DOES SIGNIFICANTLY DEPENDS ON HOW WELL THE BIR DOES. IN TURN, THE QUALITY OF THE TAX EFFORT IS DETERMINED BY HOW WELL YOU IN YOUR INDIVIDUAL AND COLLECTIVE CAPACITIES PERFORM -- AS OFFICIALS AND EMPLOYEES OF THE BUREAU OF INTERNAL REVENUE.

I THEREFORE JUST HAVE ONE WISH -- JUST ONE NOT THREE -- AND THAT IS FOR THE BIR TO FULLY, TOTALLY SUPPORT THE RAMOS ADMINISTRATION.

THIS IS WHY SECRETARY DEL ROSARIO, COMMISSIONER ONG AND I ARE DETERMINED TO DO EVERYTHING HUMANLY POSSIBLE -- PERHAPS WE SHOULD EVEN GO BEYOND THAT -- ALTHOUGH WE DON'T WANT TO BECOME INHUMAN TO RAISE BIR'S WORK. IT'S STANDARDS, EFFICIENCY, AND ITS OUTPUT.

ENORMOUS RATE OF TAX EVASION

IT IS TRUE OUR TAX EFFICIENCY HAS IMPROVED SUBSTANTIALLY OVER THE PAST FEW YEARS. BUT, HAVING SAID THIS, WE MUST STILL ADMIT THAT, HISTORICALLY, OUR TAX EFFORT STILL SUFFERS WHEN COMPARED TO THAT OF OTHER EAST ASIAN COUNTRIES IN THE RECENT PAST.

OVER THE 17 YEARS BETWEEN 1972 AND 1988, OUR TAX EFFORT AVERAGED ABOUT 12% OF GNP. WHILE THIS IS A SIGNIFICANT IMPROVEMENT, THIS IS STILL WELL BELOW THE RECORD OF OUR NEIGHBORS IN ASEAN. MALAYSIA, FOR INSTANCE, COLLECTS THE EQUIVALENT OF 22%, INDONESIA 17% AND THAILAND OVER 16%.

BIR STATISTICS THEMSELVES TELL US FIVE MILLION FILIPINOS SHOULD BE PAYING TAXES -- BUT ONLY TWO MILLION DO. ESTIMATES OF ANNUAL REVENUE LOSSES FROM VARIOUS MEANS OF TAX EVASION ARE PUT AT BETWEEN ₱16 BILLION AND ₱37 BILLION.

SOME OTHER ESTIMATES ARE EVEN HIGHER.

SO TAKEN AS A WHOLE, OUR TAX STRUCTURE IS STILL REGRESSIVE. INDIRECT TAXES STILL ACCOUNT FOR 65% OF ALL TAXES -- AND, AS A RESULT, POOR AND MIDDLE-CLASS FILIPINOS PAY IN TAXES A GREATER PROPORTION OF THEIR INCOME THAN MORE WELL-TO-DO FILIPINOS.

OUR PROPERTY TAXES, FOR ONE, STILL ARE POSITIVELY "PRE-HISTORIC." THIS IS HOW THEY WERE DESCRIBED BY A SHOCKED ASIAN DEVELOPMENT BANK ECONOMIST WHO STUDIED THEM. AND IT IS TRUE THAT PROPERTY TAXES MAKE UP ONLY 0.7% LESS THAN 1% OF TOTAL TAX COLLECTIONS.

WE MUST ALSO HASTEN TO PLUG THE TREMENDOUS TAX LEAKAGE CAUSED BY THE GRANT OF TAX EXEMPTIONS AND PRIVILEGES TO SOME ELEMENTS BY THE ABUSE OF THE SO-CALLED "INFANT INDUSTRY" PRINCIPLE. SOME OF THESE INFANTS ARE ALREADY 50 YEARS OLD.

NOW, MAY I, AS PART OF OUR OBSERVANCE OF YOUR 88TH ANNIVERSARY TODAY, APPROVE IN YOUR PRESENCE AN EXECUTIVE ORDER REQUIRING GOVERNMENT AND PRIVATE FINANCIAL INSTITUTIONS TO USE FINANCIAL STATEMENTS FILED WITH AND CERTIFIED BY THE BUREAU OF INTERNAL REVENUE IN EVALUATING LOAN APPLICATIONS. AYAN, MERON NA HA? THIS IS MY WAY OF SHOWING HOW IMPORTANT THE WORK OF THE BIR IS, ESPECIALLY IN REGARD TO THE DOCUMENTS THAT YOU PRODUCE WHICH MUST BE GIVEN THEIR PROPER WORTH IN FINANCIAL CREDIT, ETC. TRANSACTIONS, WITH AND AMONG PRIVATE OR GOVERNMENT INSTITUTIONS.

BECAUSE GOVERNMENT'S SPENDING CAPACITY HAS NOT KEPT UP WITH ITS INCREASED RESPONSIBILITIES, OUR INADEQUATE TAX EFFORT HAS LED TO THE REDUCTION OF BASIC SOCIAL SERVICES, AMONG OTHER PROGRAMS AND THESE SERVICES INCLUDE GARBAGE COLLECTION, TRAFFIC MANAGEMENT, WATER AND POWER, PEACE AND ORDER AND PROTECTION OF THE ENVIRONMENT.

WHAT ARE WE GOING TO DO?

WE OBVIOUSLY CANNOT ALLOW THIS SITUATION TO CONTINUE.

WE MUST FIND WAYS TO PERSUADE OR EVEN COMPEL THE NON-POOR AND THE MORE CAPABLE TO CARRY A LARGER SHARE OF THE BURDEN OF COMMUNITY CONCERNS.

TAXES ARE THE PRICE WE PAY FOR LIVING IN A CIVILIZED SOCIETY.

THE INDIVIDUAL WHO CHEATS ON HIS TAXES WEAKENS HIS GOVERNMENT IN ITS FIGHT AGAINST CRIME, INSURGENCY AND OTHER SOCIAL DISORDERS. BUT IN SO DOING, HE UNDERMINES ALSO HIMSELF HIS PHYSICAL AND ECONOMIC WELFARE AND THOSE OF HIS FELLOW CITIZENS.

I HAVE ASKED CONGRESS TO ENACT VARIOUS TAX REFORM MEASURES THAT HAVE BEEN DRAWN UP IN CONSULTATION WITH BIR TOP MANAGEMENT, THE CABINET AND CONGRESSIONAL LEADERS. THESE INCLUDE PROCEDURES FOR IMPROVING TAX ADMINISTRATION OF LARGE TAXPAYERS, REFORMS IN THE VALUE-ADDED-TAX SYSTEM, AND INCREASED PENALTIES FOR TAX EVASION.

WE WILL IMPOSE THESE PENALTIES RIGOROUSLY -- WITHOUT FEAR OR FAVOR.

APPEAL TO BIR PERSONNEL

IN THE CONTEXT OF THESE OBJECTIVES, WE MAY ASK: WHAT MAKES A TAXPAYER HONEST OR DISHONEST?

THE ANSWER LIES NOT ONLY IN THE TAXPAYER'S SENSE OF PATRIOTISM OR CIVIC OBLIGATION OR THE LACK OF IT. PART OF THE ANSWER LIES IN THE QUALITY OF THE INTERNAL REVENUE SERVICE.

IF THE BIR IS MANAGED BY MEN AND WOMEN OF PROVEN COMPETENCE, DEDICATION AND INTEGRITY, THEN I AM SURE TAXPAYERS WILL REACT RESPONSIBLY AND GENERALLY BE HONEST IN PAYING THEIR TAX OBLIGATIONS.

ON THE OTHER HAND, IF THOSE IN CHARGE OF TAX COLLECTION ARE INDIFFERENT, APATHETIC -- OR WORSE -- EASILY SUSCEPTIBLE TO WRONG-DOING, THEN ONE MUST EXPECT EVEN THE NORMALLY-DECENT TAXPAYER TO THINK ABOUT MAKING A DEAL THAT WILL REDUCE HIS OVERALL TAX LIABILITY.

THE BOTTOMLINE IS THAT THE BIR WILL SUCCEED IN COLLECTING WHAT IS LEGALLY DUE THE GOVERNMENT ONLY IF EVERYONE IN THE BUREAU WILL DO THEIR JOBS WELL AND HONESTLY.

I AM PREPARED TO REWARD VIRTUE -- AS I AM FULLY PREPARED TO PUNISH WRONGDOING IN THE BIR.

I HAVE ASKED CONGRESS FOR LEGAL AUTHORITY TO RECLASSIFY TO HIGHLY-SENSITIVE STATUS MANY OF BIR AND THE BUREAU OF CUSTOMS POSITIONS.

SO, LET NO ONE UNDER-ESTIMATE MY OWN DETERMINATION -- MY PERSONAL COMMITMENT -- TO GIVE OUR PEOPLE GOOD AND CLEAN GOVERNMENT.

HUWAG NA SANA TAYONG MAGSUBUKAN -- AT AKO AY TALAGANG SUBONG-SUBO SA LAYUNING MALINIS AT MABISANG PAMAMAHALA.

IT HAS ALMOST BECOME AUTOMATIC THAT EVERY TIME THE EXECUTIVE BRANCH PROPOSES TO THE

LEGISLATURE A NEW TAX MEASURE, CONGRESS THROWS BACK TO US, TO THE BIR THE ISSUE OF TAXES UNCOLLECTED AND OF SWEETHEART DEALS MADE BETWEEN TAXPAYERS WITH LARGE LIABILITIES AND OUR REVENUE AGENCIES.

THE GOVERNMENT NEEDS TO RECOVER ITS MORAL AUTHORITY ON THIS ISSUE -- AND I WILL EXERT POLITICAL WILL TO REGAIN IT.

WE KNOW THERE ARE MANY SCALAWAGS IN THE GOVERNMENT SERVICE, INCLUDING THE BIR. WE KNOW THERE ARE THOSE OBSESSED WITH GENERATING REVENUES NOT FOR THE GOVERNMENT BUT FOR THEMSELVES.

WE KNOW THERE ARE THOSE WHO VIOLATE POLICIES AND PROGRAMS AND REPEATEDLY DEVIATE FROM ESTABLISHED SYSTEMS AND PROCEDURES.

WE KNOW THERE ARE THOSE WHO ARE ENGAGED IN SYSTEMATIC HARASSMENT OF TAXPAYERS.

WE KNOW THERE ARE THOSE WHO MAKE HIGHLY ARBITRARY TAX ASSESSMENTS FOR ULTERIOR MOTIVES.

THESE ABUSERS AND OFFENDERS ARE THE ELEMENTS IN YOUR ORGANIZATION WHO ERODE THE CONFIDENCE OF THE PUBLIC NOT ONLY IN THE BIR BUT IN THE GOVERNMENT ITSELF. THERE ARE REALLY JUST VERY FEW OF THEM BUT THEY HAVE BLACKENED THE REPUTATION OF THE ENTIRE BIR. AND ALSO I HAVE INSTRUCTED SECRETARY DEL ROSARIO AND COMMISSIONER ONG TO TAKE TOUGH ACTION AGAINST THESE OFFENDERS.

AND I WANT THIS DONE NOW AND I WANT TO DO IT FAST.

I HAVE PLEDGED TO BOTH OF THEM MY FULL SUPPORT, AND I AM PREPARED TO DEPLOY OUR INVESTIGATIVE AND PROSECUTION AGENCIES TO HELP IN THIS TASK.

AND IF IT SHOULD BE NECESSARY TO RESTRUCTURE THE ORGANIZATION TO MAKE IT MORE EFFICIENT, THEN LET US DO IT -- BY EXECUTIVE AND/OR LEGISLATIVE ACTION .

EFFICIENCY IN COLLECTING TAXES IS NOT A ONE-SIDED MATTER. AS A FORMER COMMISSIONER OF THE U.S. INTERNAL REVENUE SERVICE WISELY OBSERVED, TAXPAYERS IN EXCHANGE FOR, I SUPPOSE, FAITHFUL PAYMENT OF TAXES DESERVE A TAX SYSTEM THAT MINIMIZES COMPLEXITY, UNCERTAINTY AND ADMINISTRATIVE BURDENS."

AN IMPORTANT CHALLENGE WE FACE IS TO MODERNIZE OUR BIR'S SYSTEMS. I UNDERSTAND YOU HAVE AN ONGOING MODERNIZATION AND PROFESSIONALIZATION PROGRAM -- DESIGNED TO BENEFIT FROM NEW INFORMATION AND MANAGEMENT TECHNOLOGIES. AND I COMMEND YOU FOR THIS.

YOU CAN COUNT ON ME TO SUPPORT THIS PROGRAM WHOLEHEARTEDLY AND IN EVERY WAY I CAN. I COUNT ON YOU TO BE MY ALLIES AND PARTNERS IN THIS WORK. I AM DETERMINED TO ACCOMPLISH FOR OUR COUNTRY AND PEOPLE.

LADIES AND GENTLEMEN OF THE BUREAU OF INTERNAL REVENUE, WE ARE FACED WITH THE HISTORIC OPPORTUNITY FOR AN ECONOMIC TAKE-OFF THAT HAS LONG ELUDED OUR NATION. BECAUSE TIME IS SO SHORT, WE HAVE HIGHER THAN NORMAL GOALS. WE NEED TO ACCOMPLISH PROGRAMS THAT MUST BE SUPPORTED BY SUFFICIENT REVENUES. YOU HAVE IT IN YOUR HANDS TO HELP GOVERNMENT ACHIEVE THOSE ASPIRATIONS FOR

OUR PEOPLE.

AND SO, LET US MAINTAIN THE FORWARD MOMENTUM AND ADVANCE!

THANK YOU VERY MUCH. MARAMING SALAMAT PO!

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